

**Prince Edward Island
ENERGY CORPORATION**

**Annual Report
for Fiscal Year**

2000-2001

Board of Directors:

Jim Johnston, Chairman
Deputy Minister of Development & Technology

Leo Walsh, Vice Chairman
Deputy Minister of Intergovernmental Affairs

Reagh Hicken, Secretary-Treasurer
Department of Development & Technology

Virginia Bulger
Department of Development & Technology

Jim Young
Acting for Deputy Minister of Fisheries, Aquaculture & Environment

Joe Murphy
Acting for Deputy Minister of Transportation & Public Works

Fred Driscoll

STAFF:

Wayne MacQuarrie, CEO

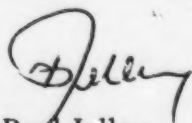
Melanie Jackson, Administrative Assistant

The Honorable Michael Currie
Minister, Development & Technology
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister:

I have the honour to present to you the attached annual report for the Prince Edward Island Energy Corporation. You will find this report summarizes activities undertaken by the P.E.I. Energy Corporation as well as the Atlantic Wind Test Site Inc., and provides financial statements for fiscal year 2000-2001. This report has been prepared and is submitted in accordance with the Energy Corporation Act, Section 10 (1).

Respectfully submitted,



Paul Jelley
Chairman
P.E.I. Energy Corporation

1.0 INTRODUCTION

This is the 19th Annual Report of the P.E.I. Energy Corporation and covers the periods April 1, 2000 to March 31, 2001. The Energy Corporation was established by the Energy Corporation Act in 1978 with a mandate to develop and promote energy systems on an economic and efficient basis. Since its inception, the Corporation has operated within the general framework of the provincial energy policy which is currently the responsibility of the Minister of Development and Technology.

2.0 BOARD OF DIRECTORS

The members of the Board of Directors and their terms of office as of March 31, 2001 were:

NAME	POSITION HELD	TERM OF APPOINTMENT
Jim Johnston	Chairman	November 10, 1998 - at pleasure
Leo Walsh *	Vice Chairman	November 10, 1998 - November 10, 2001
Joe Murphy ^	Director	November 10, 1998 - at pleasure
Jim Young ^^	Acting Director	November 10, 1998 - at pleasure
Reagh Hicken	Secretary-Treasurer	November 10, 1998 - at pleasure
Fred Driscoll ~	Director	March 2, 1999 - March 2, 2002
Virginia Bulger **	Director	November 10, 1998 - at pleasure

* *Leo Walsh resigned from his position on August 25, 2000*

^ *Acting for Deputy Minister of the Department of Transportation and Public Works*

^^ *Acting for Deputy Minister of the Department of Fisheries, Aquaculture and Environment*

~ *Mr. Driscoll passed away on October 27, 2000*

** *Virginia Bulger was on a long term disability leave of absence during this reporting period*

3.0 STAFF

During the 2000-2001 fiscal year, Wayne MacQuarrie continued to carry out duties as the Chief Executive Officer of the Corporation and also provided direction to Energy and Minerals staff within the Department of Development and Technology. Melanie Jackson also continued to provide administrative assistance to the Chief Executive Officer.

4.0 SUMMARY OF ACTIVITIES

P.E.I. ENERGY CORPORATION

During the 2000-2001 fiscal year, Corporation staff continued to focus on defining a natural gas development plan for Prince Edward Island, as well as finalizing plans for the development of a 5.28 Megawatt wind farm at North Cape. The following is a brief discussion on the status of these activities.

Natural Gas Development Plan

Last year, the Corporation initiated a staged process to identify and fully assess the feasibility of implementing a natural gas development plan that would address the long term energy needs of Islanders. The process was laid out in an Expression of Interest document which was released in April of 2000.

In June, the P.E.I. Energy Corporation selected a development plan submitted by Westcoast Energy Inc. for further evaluation. The Westcoast Energy Inc.'s plan called for the construction of a large gas-fired generating facility on Prince Edward Island which would not only satisfy the electrical needs of Islanders, but would generate surplus electricity for export. Maritime Electric Company Limited was also identified as a partner in the electrical generation project. The plan also included a gas distribution plan for Prince Edward Island.

During the year, Westcoast Energy Inc. initiated detailed feasibility studies related to the project, and by year end had determined there were no technical limitations which would prevent the generation project from proceeding. However, detailed electricity and gas marketing studies were still to be completed.

North Cape Wind Farm Initiative

During the year, the P.E.I. Energy Corporation finalized plans for the development of a 5.28 Megawatt wind farm at North Cape, P.E.I. By year end, the Energy Corporation had received approval to proceed with the construction of the \$9.36 million project. Construction will commence during the spring of 2001.

The wind farm project will consist of the installation of 8 Vestas V-47 660 kilowatt wind turbines on Corporation property adjacent to the Atlantic Wind Test Site, Inc., the construction of approximately 30 kilometers of electrical transmission and distribution infrastructure running from Alberton to North Cape, and the construction of approximately 2.5 kilometers of roads on the wind farm property.

The wind farm initiative is a partnership between the Province of Prince Edward Island, Natural Resources Canada and Maritime Electric Company, Limited. Under agreements developed between these parties during the past year:

- *MECL have agreed to purchase, at its avoided cost, all of the energy produced by the wind farm over a 21 year period;*
- *the Province of Prince Edward Island and the federal government have agreed to purchase from MECL the majority of the energy produced by the wind farm at a premium price. The premium will flow back to the project to offset project costs.*
- *MECL has agreed to market the surplus energy not purchased by the Province or the federal government at a premium price and has agreed to forward the premium to the project.*

The wind farm initiative is another example of the Corporation's continuing effort to promote the utilization of environmentally-friendly, renewable energy resources at a time when changing weather patterns are having a significant impact on our environment. It is hoped that the wind farm will attract additional tourists to the western tip of the Island, and that the facility will create additional research and development opportunities for the Atlantic Wind Test Site.

ATLANTIC WIND TEST SITE

The Atlantic Wind Test Site (AWTS), a subsidiary of the P.E.I. Energy Corporation, was established in 1980 as Canada's National Wind Energy Laboratory. Since then, it has been the cornerstone of Canada's wind energy R&D program. AWTS obtains operating income from the Government of Canada, the Government of P.E.I., as well as from contract research and testing work.

Activities at AWTS during the report period have concentrated on four strategic areas.

Testing

The testing of wind turbines was the initial reason for the establishment of AWTS, and testing remains an important activity. A number of wind turbines have been tested at AWTS and are now available to the Canadian market. Some of these turbines remain in operation at AWTS for long term testing and for use in other development programs.

Some turbines recently tested include:

Lagerwey 18/80: Dutch Industries of Regina, Saskatchewan, is marketing Lagerwey wind turbines in Canada. A Lagerwey 18/80 was installed in 1993 and continues to provide long term operating experience. This unit is also being used for advanced inverter and control system technology development.

Atlantic Orient Corporation 15/50: AWTS has been operating an AOC 15/50, 65 kW turbine since 1993. This turbine is of interest for Canadian applications because it is suitable for remote community installations. This Vermont-based firm has a Canadian subsidiary for manufacturing machines for Canadian and world markets.

Wenvor-Vergnet Canada 7/25: Wenvor Technologies, an Ontario wind turbine manufacturer, in collaboration with Vergnet SA from France, is working with AWTS to evaluate and further develop their 25 kW wind turbine for the Canadian and export markets.

Technology Development

Technology development is an important element of AWTS activity. Two notable projects have been under development in the past several years.

The integration of fuel-saving wind turbines with diesel generating sets is a significant innovation for remote community electrical systems, and Canada has advanced technology under development. AWTS has developed Canada's only wind-diesel test bed which has allowed AWTS to test and develop different wind-diesel configurations and control systems to achieve reliable and smooth operation.

The key to reliable and economic wind-diesel systems, with good power quality, is computerized control. To meet this challenge, AWTS has developed an advanced Wind-Diesel Integrated Control System (WDICS) which will soon be commercially available.

AWTS is currently developing pilot projects using this technology in eastern Canada and India.

Another innovative project under study at AWTS is the Vertical Axis Wind Turbine (VAWT). This design, pioneered in Canada over twenty years ago, has many key advantages, such as easy access at ground level for maintenance and no requirement for a yawing system to align the wind turbine with the wind direction. A "dynamically soft" design, using non-rigid supports, has been computer modelled and fabricated at AWTS and is now undergoing tests.

Collaborative R&D

AWTS is expanding collaborations with other institutions and the private sector to advance technology development. Combining the strengths of AWTS with that of other groups greatly enhances the rate and quality of developments.

AWTS has collaborated with the University of New Brunswick's Department of Electrical and Computer Engineering in a number of projects in recent years. These efforts have resulted in the design and testing of several innovative new inverters to efficiently convert variable wind and solar power to stable utility grade electric power, as well as a 50 kW direct drive generator that may be used with vertical axis wind turbines. Operations have commenced at UNB's recently constructed renewable energy R&D facility located on the AWTS site.

AWTS is actively pursuing additional collaborative activities with other research groups.

Public Information

AWTS is a primary source of technical information for government and the private sector. AWTS hosts many renewable energy engineers, scientists and enthusiasts each year, as well as nearly 50,000 tourist visitors.

5.0 FINANCIAL STATEMENTS

The non-consolidated and consolidated financial statements for the year ending March 31, 2001 as prepared by the auditors of the Energy Corporation and the Atlantic Wind Test Site follow:

Non-consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 2001



Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
P.J. Trainor, CA

Bonded Warehouse
91 Water Street
P.O. Box 2158
Charlottetown
Prince Edward Island
C1A 8B9

Tel: (902) 892-5365
Fax: (902) 892-0383
Email: bfm@bfrn.pe.ca

AUDITORS' REPORT TO THE DIRECTORS

We have audited the non-consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2001 and the non-consolidated statements of earnings - operating, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles, except that they are prepared on a non-consolidated basis as disclosed in note 1(a).

Chartered Accountants

Charlottetown, P.E.I.
June 22, 2001

PRINCE EDWARD ISLAND ENERGY CORPORATION

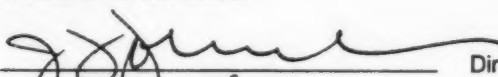
Non-consolidated Balance Sheet

March 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	\$ 67,291	\$ 19,365
Accounts receivable	3,722	7,031
Deposit and engineering costs - Wind Farm (note 2)	1,226,684	-
	1,297,697	26,396
Investment in The Atlantic Wind Test Site Inc.	1	1
	\$ 1,297,698	\$ 26,397
Liabilities and Surplus		
Current liabilities:		
Bank indebtedness (note 3)	\$ 1,200,000	\$ -
Accounts payable and accrued liabilities	56,194	26,397
	1,256,194	26,397
Surplus	41,504	-
Commitments (note 4)		
	\$ 1,297,698	\$ 26,397

See accompanying notes to non-consolidated financial statements.

On Behalf of the Board:



Director



Director

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings - Operating

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Revenue:		
Grants - Province of Prince Edward Island	\$ 231,908	\$ 121,592
Income - projects	67,592	66,066
	299,500	187,658
Expenses:		
Projects - regular	67,592	66,066
Administration:		
Advertising	587	13,027
Audit	1,633	1,250
Consulting fees	22,494	-
Interest and bank charges	2,209	-
Materials and supplies	904	1,004
Miscellaneous	220	220
Office and computer equipment	4,690	14,432
Office supplies	696	889
Professional fees	18,442	-
Telephone	2,651	1,841
Travel	10,573	15,991
Vehicle allowance	6,785	4,241
Wages	120,222	70,261
	259,698	189,222
Earnings (loss) before other income	39,802	(1,564)
Other income - interest	1,702	1,564
Net earnings and surplus, end of year	\$ 41,504	\$ -

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Surplus

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Surplus, beginning of year	\$ -	\$ -
Earnings - operating for the year (page 2)	41,504	-
	41,504	-
Contribution to Province of Prince Edward Island	-	-
Surplus, end of year	\$ 41,504	\$ -

See accompanying notes to non-consolidated financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash flows from operating activities:		
Cash receipts from customers	\$ 302,809	\$ 180,716
Cash paid to suppliers and employees	(227,692)	(191,095)
Interest received	1,702	1,564
Interest paid	(2,209)	-
	74,610	(8,815)
Cash flows from investing activities:		
Increase in deposit and engineering costs - Wind Farm	(1,226,684)	-
Net change in cash	(1,152,074)	(8,815)
Cash, beginning of year	19,365	28,180
Cash, end of year	\$ (1,132,709)	\$ 19,365
Represented by:		
Cash	67,291	19,365
Bank indebtedness	(1,200,000)	-
	\$ (1,132,709)	\$ 19,365

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2001

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

1. Significant accounting policies:

(a) Non-consolidated financial statements:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except that they have not been consolidated with those of the corporation's subsidiary.

The investment in the subsidiary is accounted for by the cost method, whereby income of the subsidiary is recorded in the accounts only to the extent of dividends received during the year.

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should normally be prepared on a consolidated basis. In addition, the C.I.C.A. has recommended that the equity method be used to account for investments in companies over which the corporation is able to exercise significant influence. However, in this case, the shareholders have access to all pertinent information concerning the resources and results of operations of the corporation and its subsidiary as a group, and they have unanimously agreed that they do not require consolidated financial statements for presentation at the annual meeting of the shareholders. In addition, they have unanimously agreed that they do not require the investment in associated company to be accounted for by the equity method. Accordingly, the accounts of the subsidiary have not been prepared on a consolidated basis, and the investment in associated company has not been accounted by the equity method. As these financial statements have not been prepared for general purposes, some users may require further information.

Consolidated financial statements have been prepared separately.

(b) Capital assets:

Capital assets are expensed in the year of acquisition. Capital assets not recorded in the balance sheet include office and computer equipment. During the year, the Corporation expensed \$ 4,690. for office and computer equipment.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2001

2. Deposit and engineering costs:

Deposit and engineering costs relate to a deposit on turbine equipment and engineering costs related to the development of the North Cape Wind Farm. This project is expected to be completed in the next fiscal year.

3. Bank indebtedness:

Bank indebtedness consists of a fixed-rate operating loan which is due June 18, 2001 and bears interest at 4.94%. The operating loan is secured by a guarantee from the Province of Prince Edward Island.

4. Commitments:

Prince Edward Island Energy Corporation has entered into an agreement with Vestas - American Wind Technology, Inc. to purchase wind turbines in the amount of \$ 5,820,546. The purchase is to be financed by a loan from the Bank of Montreal. As at March 31, 2001, the Corporation has received an advance of \$ 1,200,000. from the Bank of Montreal to fund a deposit on the purchase price.

The contract price of \$ 5,820,546., which is stated in Canadian dollars, contains a Danish Kroner (DKK) component of 19,402,000 DKK that has been included in the contract price in dollars based on an assumed exchange rate of 5.3 DKK to 1 Dollar. Consequently, the contract price has an adjustable portion equal to \$ 3,660,755. This adjustable portion of the contract price is subject to exchange rate adjustment and to hedging.

5. Related party transactions:

The Corporation has a wholly owned subsidiary, The Atlantic Wind Test Site Inc., which conducts wind energy research on Prince Edward Island. The investment consists of 5,000 common shares without nominal or par value.

Included in regular project expenses are payments of \$ 67,592. (2000 - \$ 66,066.) to the subsidiary. Included in accounts payable and accrued liabilities is \$ Nil. (2000 - \$ 9,113.) which represents amounts payable by the Corporation to its subsidiary at March 31, 2001. The Corporation also paid \$ 53,143. (2000 - \$ Nil.) in engineering costs to The Atlantic Wind Test Site Inc. and this is included in deposit and engineering costs.

The above transactions have been measured at fair value as determined by management.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2001

6. Government funding:

The total amount of funding authorized by the Province of Prince Edward Island for the March 31, 2001 fiscal year was \$ 299,500. Of the total amount authorized, the Prince Edward Island Energy Corporation used \$ 257,996.

Consolidated Financial Statements of

**PRINCE EDWARD ISLAND
ENERGY CORPORATION**

Year ended March 31, 2001



Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
P.J. Trainor, CA

Bonded Warehouse
91 Water Street
P.O. Box 2158
Charlottetown
Prince Edward Island
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Tel: (902) 892-5365
Fax: (902) 892-0383
Email: bfm@bfm.pe.ca

AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have audited the consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2001 and the consolidated statements of surplus, earnings - operating and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Beaton Fitzpatrick Murray

Chartered Accountants

Charlottetown, P.E.I.
June 22, 2001

PRINCE EDWARD ISLAND ENERGY CORPORATION
Consolidated Balance Sheet

March 31, 2001, with comparative figures for 2000

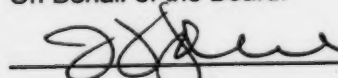
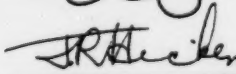
	2001	2000
ASSETS		
Current assets:		
Cash	\$ 85,843	19,365
Accounts receivable	253,924	146,209
Holdbacks receivable	36,175	64,904
Prepaid expenses	2,172	1,711
Inventories - maintenance and construction supplies	3,148	2,197
Restricted cash	8,777	8,560
Deposit and engineering costs - Wind Farm	1,226,684	-
	\$1,616,723	242,946

LIABILITIES AND SURPLUS

Current liabilities:		
Bank indebtedness	\$1,200,000	39,512
Accounts payable and accrued liabilities	198,061	91,305
Royalties payable	64,936	60,584
Deferred revenue - projects	51,708	8,560
	1,514,705	199,961
Reserve for equipment	68,337	68,337
Surplus (deficit) (note 3)	33,681	(25,352)
Contingency (note 3)		
	\$1,616,723	242,946

See accompanying notes to financial statements

On Behalf of the Board:

 Director
 Director

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Surplus**

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Deficit, beginning of year	\$ (25,352)	(8,352)
Earnings (loss) - operating for the year (page 3)	59,033	(24,533)
	33,681	(25,352)
Contribution to Province of Prince Edward Island	-	-
Surplus (deficit), end of year	\$ 33,681	(25,352)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION**Consolidated Statement of Earnings - Operating**

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Revenues:		
Grants - Province of Prince Edward Island	\$ 299,500	187,658
- Government of Canada	236,006	242,900
	535,506	430,558
Expenses:		
Advertising	587	13,027
Audit	5,508	5,125
Consulting fees	48,326	12,600
Materials and supplies	3,106	11,026
Heat and lights	8,304	9,653
Miscellaneous	6,070	8,836
Insurance	4,819	3,840
Office and computer equipment	12,022	24,333
Office supplies	5,960	6,829
Operations and maintenance	6,894	3,057
Professional fees	18,442	-
Telephone	6,958	6,138
Travel	20,749	29,056
Vehicle allowance	6,785	4,241
Wages and levies	336,919	313,248
Year 2000 Conversion	-	1,564
	491,449	452,573
Earnings (loss) before the undemoted	44,057	(22,015)
Earnings (loss) - projects	13,274	(4,085)
Other income (note 2)	1,702	1,564
Net earnings (loss)	\$ 59,033	(24,536)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash flows from operating activities:		
Cash receipts from customers	\$ 732,645	535,645
Cash paid to suppliers and employees	(598,124)	(512,645)
Interest received	1,702	1,500
Interest paid	(3,332)	(1,400)
	132,891	23,100
Cash flows from investing activities:		
Increase in deposit and engineering costs - Wind Farm	(1,226,684)	-
Net increase (decrease) in cash	(1,093,793)	23,100
Cash, beginning of year	(11,587)	(34,740)
Cash, end of year	\$ (1,105,380)	(11,587)
Represented by:		
Cash	\$ 85,843	19,360
Restricted cash	8,777	8,560
Bank indebtedness	(1,200,000)	(39,510)
	\$ (1,105,380)	(11,587)

See accompanying notes to financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Consolidated Financial Statements

Year ended March 31, 2001

Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the corporation's 100% owned subsidiary, The Atlantic Wind Test Site Inc.

(b) Inventories:

Inventories of maintenance and construction supplies are valued at the lower of cost and net realizable value as determined by management.

2. Other income:

	2001	2000
Interest	\$1,702	1,564
	\$1,702	1,564

3. Contingency:

The Atlantic Wind Test Site Inc. receives cost-shared funding under an operating agreement with Natural Resources Canada. This agreement includes provisions which require the pro-rata repayment of any surplus in the event that activities of the Test Site are terminated. The company has a surplus as of March 31, 2001 of \$ 33,681.

Financial Statements of

**THE ATLANTIC WIND TEST
SITE INC.**

Year ended March 31, 2001



Beaton Fitzpatrick Murray

Chartered Accountants

A.W. Beaton, CA
G.J. Fitzpatrick, CA
J.G. Murray, CA
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Bonded Warehouse
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of The Atlantic Wind Test Site Inc. as at March 31, 2001 and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Charlottetown, P.E.I.
May 23, 2001

THE ATLANTIC WIND TEST SITE INC.

Balance Sheet

March 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	\$ 18,552	\$ -
Accounts receivable	250,202	148,291
Holdbacks receivable	36,175	64,904
Work in progress	3,148	2,197
Prepaid expenses	2,172	1,711
Restricted cash	8,777	8,560
	<u>\$ 319,026</u>	<u>\$ 225,663</u>

Liabilities and Shareholder's Equity

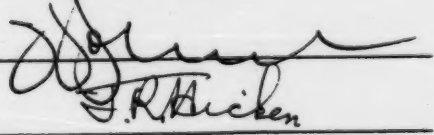
Current liabilities:		
Bank indebtedness	\$ -	\$ 39,512
Accounts payable and accrued liabilities	141,867	74,021
Royalties payable (note 2)	64,936	60,584
Deferred revenue	51,708	8,560
	<u>258,511</u>	<u>182,677</u>
Reserve for equipment	68,337	68,337
Shareholder's equity:		
Share capital		
Issued and outstanding: 5,000 no par or nominal value common shares	1	1
Deficit	(7,823)	(25,352)
	<u>(7,822)</u>	<u>(25,351)</u>

Contingencies (note 3)

	\$ 319,026	\$ 225,663
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See accompanying notes to financial statements.

On Behalf of the Board:


 Director
 J. R. Bicken
 Director

THE ATLANTIC WIND TEST SITE INC.

Statement of Earnings and Deficit

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Revenue - cost-shared:		
Federal	\$ 236,006	\$ 242,900
Provincial	67,592	66,066
	303,598	308,966
Expenses:		
Audit	3,875	3,875
Books and periodicals	1,792	2,507
Buildings and grounds	1,337	1,303
Computer maintenance and supplies	836	4,311
Equipment	6,358	9,385
Insurance	4,819	3,840
Interest and bank charges	1,123	1,412
Heat and lights	8,304	9,653
Materials and supplies	2,202	10,022
Miscellaneous	345	198
Office expenses	3,472	3,433
Purchased services	25,832	12,600
Telephone	4,307	4,297
Tools and instruments	974	516
Training	-	1,392
Travel - in province	800	835
- out of province	933	5,501
- TAC	5,925	4,469
Truck expenses	2,518	2,260
Wages and benefits	216,697	242,987
Operations and maintenance	6,894	3,057
Year 2000 conversion and lightning strike	-	1,564
	299,343	329,417
Earnings (loss) from operations	4,255	(20,451)
Income (loss) from external projects:		
Collaborative projects (page 5)	(293)	(13,657)
Other external projects (page 6)	13,567	9,572
	13,274	(4,085)
Net earnings (loss)	17,529	(24,536)
Deficit, beginning of year	(25,352)	(816)
Deficit, end of year	\$ (7,823)	\$ (25,352)

See accompanying notes to financial statements.

THE ATLANTIC WIND TEST SITE INC.

Statement of Cash Flows

Year ended March 31, 2001, with comparative figures for 2000

	2001	2000
Cash flows from operating activities:		
Cash receipts from customers	\$ 497,428	\$ 421,044
Cash paid to suppliers and employees	(438,024)	(387,660)
Interest paid	(1,123)	(1,412)
	58,281	31,972
Cash flows from financing activities:		
Increase in restricted cash	(217)	(8,560)
Net increase in cash	58,281	31,972
Bank indebtedness, beginning of year	(30,952)	(62,924)
Cash (bank indebtedness), end of year	\$ 27,329	\$ (30,952)

See accompanying notes to financial statements.

THE ATLANTIC WIND TEST SITE INC.

Notes to Financial Statements

Year ended March 31, 2001

The Atlantic Wind Test Site Inc. is incorporated under the laws of Prince Edward Island and is primarily engaged in the study and development of wind energy systems.

1. Significant accounting policies:

(a) Equipment:

The company maintains the policy of expensing fixed asset additions in the year of acquisition.

2. Royalties payable:

Royalties payable represents amounts due to Natural Resources Canada in accordance with the provisions of a licensing agreement which came into effect April 1, 1995. Royalties requirements are based on consulting fees and other revenues earned by the company from contracts with third parties.

3. Contingencies:

The Atlantic Wind Test Site Inc. receives cost-shared funding under an operating agreement with Natural Resources Canada. This agreement includes provisions which require the pro-rata repayment of any surplus in the event that activities of the Test Site are terminated. The company has a deficit of \$ 7,823. as at March 31, 2001.

4. Related party transactions:

Included in accounts receivable and provisional cost-sharing income is \$ Nil. (2000 - \$ 9,113.) and \$ 67,592. (2000 - \$ 66,066.) respectively representing transactions with the Prince Edward Island Energy Corporation which owns 100% of the shares of the company.

THE ATLANTIC WIND TEST SITE INC.

Schedule of Loss from Collaborative Projects

Year ended March 31, 2001, with comparative figures for 2000

	WPIC System	Direct Drive	CFI	2001 Total	2000 Total
Revenue:					
Revenue - Natural Resources Canada	\$ -	\$ 7,300	\$ -	\$ 7,300	\$ 18,900
- University of New Brunswick	-	-	47,515	-	53,100
	-	7,300	47,515	54,815	72,000
Expenses:					
Consultants	-	-	-	-	18,901
Materials and supplies	289	7,304	47,515	55,108	66,756
	289	7,304	47,515	55,108	85,657
Loss - Collaborative projects	\$ (289)	\$ (4)	\$ -	\$ (293)	\$ (13,657)

THE ATLANTIC WIND TEST SITE INC.

Schedule of Earnings from External Projects - Other

Year ended March 31, 2001, with comparative figures for 2000

	WDICS Pilot	10KW Inverter	Maritime Electric	Sagar Island	Sable Island	PEI GPP	NSPC	SM-IRAP	Other Consulting	2001 Total	2000 Total
Revenue:											
Consulting fees	\$ -	\$ -	\$ -	\$ 84,093	\$ 5,000	\$ 53,143	\$ 6,914	\$ 2,156	\$ 2,666	\$ 153,972	\$ 47,197
Revenues	-	-	15,077	-	-	-	-	-	-	15,077	8,720
	-	-	15,077	84,093	5,000	53,143	6,914	2,156	2,666	169,049	55,917
Expenses											
Materials and supplies	25	33	13,069	84,093	964	34,529	2,131	2,156	517	137,517	24,999
Royalties	-	-	1,505	-	2,422	11,168	2,870	-	-	17,965	21,346
	25	33	14,574	84,093	3,386	45,697	5,001	2,153	517	155,482	46,345
Earnings - other projects	\$ (25)	\$ (33)	\$ 503	\$ -	\$ 1,614	\$ 7,446	\$ 1,913	\$ -	\$ 2,149	\$ 13,567	\$ 9,572